Buying Power

Community-Owned Electric Systems

by THOMAS BROM and EDWARD KIRSHNER

The public power movement shows signs of a rebirth. Municipal electric systems offer cheaper rates and more responsible service—and they demonstrate that decentralized public enterprise works.

The April 1973 ballot in Berkeley, California, presented voters with some unusual choices. Four radicals were running for city council. One of the several initiatives on the ballot called for legalizing marijuana in the city. But the item that seemed to generate the most opposition was an initiative innocuously referred to as "Measure 8."

Measure 8 called for municipal takeover of Pacific Gas and Electric's power distribution facilities in Berkeley. It reached the ballot thanks to a strong consumer action group called RIOT (Refusers of Illegal and Oppressive Taxes). And though some of the other initiatives were controversial, Measure 8 appeared downright subversive. It drew the combined wrath of the Chamber of Commerce, the *Berkeley Daily Gazette*, the League of Women Voters, two of the incumbent council members running for reelection, and, of course, Pacific Gas and Electric itself. Masquerading as the "Berkeley No on 8 Committee," PG&E used its own meter readers as election canvassers. It coordinated tens of thousands of dollars' worth of newspaper ads, radio spots, and voter mailings.

A private feasibility study of municipal power in Berkeley, commissioned by the city council in 1972, was the focus of campaign argument. Corporation lawyers, economists, and university professors bolstered diametrically opposed opinions with data from the same study. But the report did conclude that "substantial long-term economic benefits would accrue to the people of the City of Berkeley if the City acquired and operated its own electric distribution system." That was hard to change.

On April 17, Measure 8 lost by close to a three-two margin. Proponents of municipalization had been outspent by more than twenty to one. PG&E and such financial backers as the Southern Pacific Land Company, three California banks, and a dozen other large corporations had poured nearly $100,000 into the campaign. This amounted to roughly five dollars for every "no" vote.

Supporters of public power in Berkeley, though defeated in 1973, carried forward a long history of sporadic local struggle for public municipal utilities in America. There were four isolated municipal power plants in 1882. Today, there are more than 2,800 public power systems, of which 1,775 are municipally owned.* But these public utilities, which include more than 90 percent of the nation's electric systems, generate and distribute only one-quarter of America's power.

The reason for the disparity is that municipal power systems are usually quite small. About a third of them are in five states—Nebraska, Kansas, Iowa, Minnesota, and Ohio—each with over 100 municipal plants. Public power began in the 1880s in small towns. With a few exceptions, it has remained there. When electricity was introduced, privately owned

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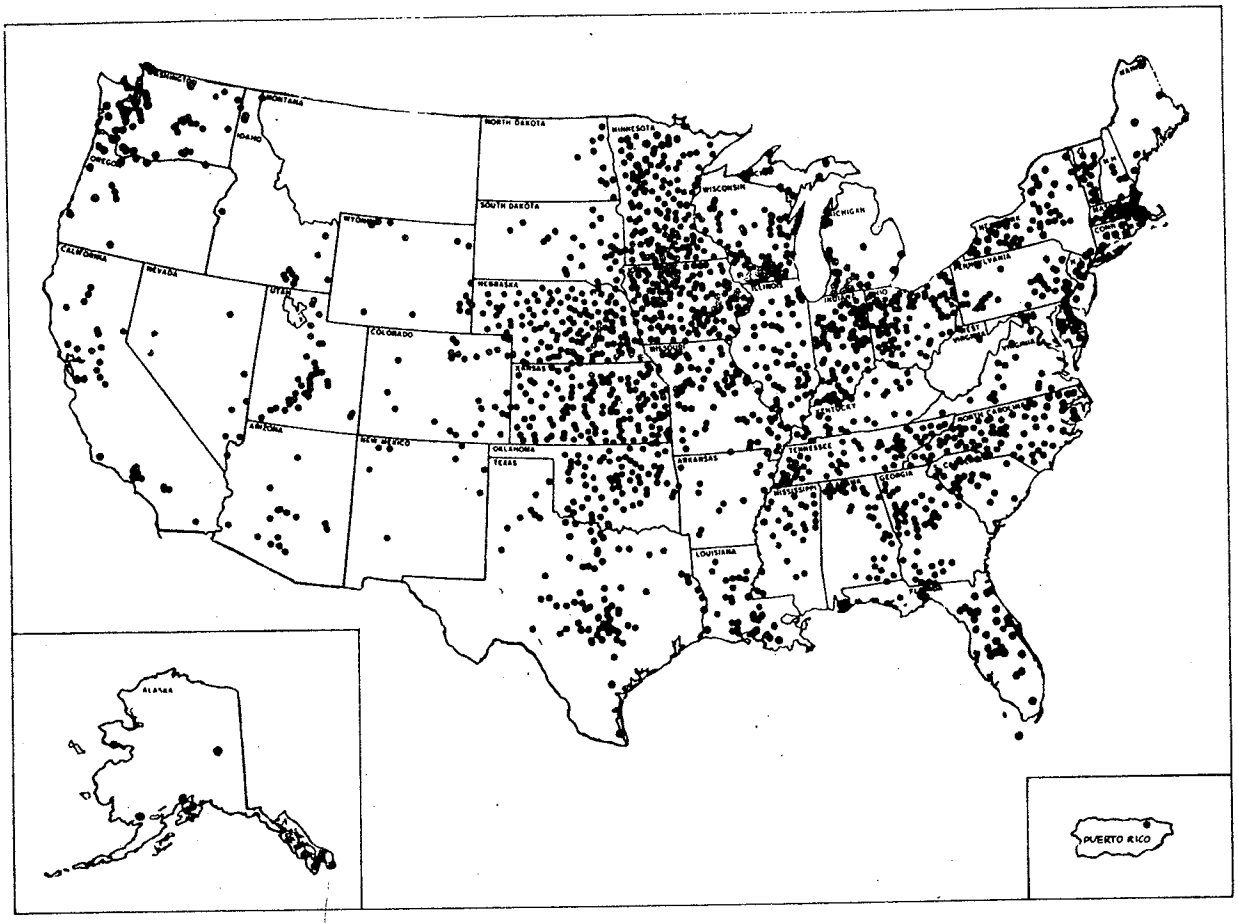
* Of the others, 26 are operated by federal agencies; 112 by state, county, or district agencies; and 932 by rural cooperatives. There are 244 privately owned systems in the United States.

Dots indicate location of publicly owned electric systems in the United States.



utilities developed the dense, profitable urban markets first. Rural America never did get electricity until the federal government began the Rural Electrification Administration in 1935. In between were the small towns, where people wanted electricity and had enough population density to make the job financially feasible.

The subsequent growth of public power, however, was never peaceable. The private utility industry—the "power trust," as it was known in the late nineteenth century—was notorious for corruption, rate manipulation, and profiteering. Public power was its enemy. On the other side, radical populists organized against the utility monopolists. Public ownership planks appeared in the People's Party platform in the 1890s, in the labor-populist alliances in the Midwest during the same period, and in local reform platforms from 1896 onward.

Later, though agrarian radicals continued to support public power, the issue began to lose its ideological overtones. Some of the largest public power systems were built around the turn of the century, sponsored not by radicals but by "good government" urban reformers. These included Tacoma (1893), Jacksonville (1895), and Seattle (1902). By 1910, the number of public systems had reached 1,534. Cleveland began municipal power operation in 1914; Los Angeles and Springfield, Illinois, in 1916.

Sixty years afterward, the "investor-owned utilities" (IOUs) are regulated, respectable, and not nearly so unpopular. But there is still no peace between them and the public power systems. Bitterly fought takeover attempts by private utilities are frequent and often successful. The American Public Power Association (APPA) claims that it is good business for cities to operate local power distribution. Unfortunately, it is also good business for private corporations to do so. Many of the strongest surviving public power cities lie near federal dams, protected from private utility incursion by a steady source of cheap energy. These systems are the heirs of the New Deal, which produced TVA, Boulder Dam, the Bonneville Project, and hundreds of smaller power plants. Many of the other municipal systems, scattered across the Midwest and down the Pacific Coast, are more vulnerable. While they have favorable economies and a record of

long public service to sustain them, solid political support has virtually evaporated. And in the past the difference between them and the IOUs has been measured in popular support, not simply in the superiority of the public systems' cash-flow charts.

Today, of course, the superiority of the cash-flow charts may take on renewed importance. Consumers hard pressed by inflation may welcome the cheaper electricity customarily provided by municipal power. To be sure, energy shortages have put the squeeze on public power systems. Long-standing ties between large private utilities and the major energy companies put public power at a great disadvantage in the scramble for generator fuels.[1] However, public power may find opportunities as well as difficulties in the "energy crisis." Oil shortages, power curtailments, and the possibility of rationing have all been met with a good deal of anger and suspicion. For the first time since the New Deal, public demands are fostering proposals in Congress and state legislatures for government intervention in the energy industry. Electric utilities regularly find their requests for rate increases challenged.

If the role of public enterprise in energy is to be expanded, public power systems offer a useful model. They work. And they bring a variety of benefits to their customers.

Paying Less for More

The economics of public vs. private power are straightforward. Public power systems yield cheaper rates. Comparative statistics compiled over the past century show that this holds true for cities of all sizes. Recent Federal Power Commission reports are equally convincing. FPC figures for public and private utilities in 1971 show lower costs per kilowatt-hour (kwh) in virtually every aspect of the public systems' operation. The savings are even more remarkable considering the typically smaller scale at which publicly owned utilities operate.*

Where do these savings come from? Exclusive of retained earnings, municipal utilities show an average of 30 percent lower costs per kwh delivered than private utilities. Of that total savings, 10 percent is due to municipal operating and maintenance efficiencies. Public systems spend less on advertising, less for public relations, less for lobbying, less for local political donations, less for accounting and collections, less for executive salaries, and less for internal bureaucracy. Also, public systems both produce and purchase their power more cheaply (5 percent of the savings). They are exempt from income taxes (20 percent). Their other taxes are lower too, though payments made in lieu of taxes reduce the savings from this item to 9 percent of the total. As public agencies, they can borrow money at cheaper interest rates (9 percent of the savings). Public systems have less expensive plants per customer and also sell more electricity per customer. This reduces the costs of depreciation and amortization per kwh delivered (8 percent of the savings). And finally, the absence of dividend payments to investors accounts for 39 percent of the savings (see Table 1).

The savings from internal efficiency, power production, and the lack of return to outside investors account for more than half of the overall difference. And the comparison probably underestimates the true difference in system efficiencies. Private utilities

TABLE 1 1971 Electric Utility Comparisons*

Basic Data	Private	Municipal
Number of Utilities Included	213	550
Annual Averages per Utility		
customers	271,300	14,100
KWH sold (millions)	6,379	368
revenues (millions)	$104.8	$4.5
operating revenue per 1000 KWH	$16.43	$12.18
net electric plant per 1000 KWH	$60.58	$47.75
operating revenue per customer	$386	$318
net electric plant per customer	$1,424	$1,247
Cost per 1000 KWH Sold		
Operations and Maintenance	$2.80	$2.32
Power	5.50	5.25
Income Taxes	.96	–
Other Taxes and Net Contributions	1.75	1.30
Interest	1.64	1.22
Depreciation and Amortization	1.78	1.38
Dividend Payments	1.91	–
Total Costs	$16.34	$11.47
Other Factors per 1000 KWH Sold		
Customer Earnings Retained	–	$ 1.33
Investor Earnings Retained	.70	–
Net Other Income and Deductions	.61	.62
Net Cost Less Benefit to Customer and Local Community	14.68	9.55

*Federal Power Commission, *Statistics of Privately Owned Electric Utilities in the United States–1971 Classes A and B Companies*, and *Statistics of Publicly Owned Electric Utilities in the United States–1971*, U.S. Government Printing Office, Washington, D.C.

* The average municipal system has about 15,000 customers; private systems average about 250,000 customers.

on the average are much larger than public ones, and the resultant economies of scale may be a hidden equalizing factor.†

Public power systems, since they don't have investors to attract or pay off, retain more than twice the percentage of revenues that private utilities retain. In either system, these reinvested earnings increase the net value of the system. But in the case of private utilities, such an increase in value is reflected only in higher stockholder equity; each share of stock is in principle worth more. For public utilities, the increase in value benefits the municipality or the customers. Rates can remain low. The utility can finance its own development without resorting to borrowing. This "public equity" adds an element of savings beyond the 30 percent out-of-pocket differential.

The Edison Electric Institute, an organization sponsored by the private companies, makes much of the fact that public systems pay no taxes and are able to borrow through low-interest, tax-exempt bonds. According to the companies, public systems can sell cheaper power for these reasons alone. But the comparisons reveal that tax and interest benefits account for only a little more than one-third of the difference between public and private systems.* The predominant factors remain dividend payments and efficiency.

Total taxes per kwh paid by private utilities do exceed those of municipal power systems. But these corporate taxes are paid to federal, state, and a variety of regional and local agencies. Municipal power systems pay virtually all of their contributions in lieu of taxes directly to the city's general fund. California public power cities, for example, receive about ten times more money per kwh in in-lieu payments than IOU-served cities receive in taxes. Thus local communities (though not other governmental units) benefit doubly from publicly owned power. Lower utility rates are combined with higher net revenues flowing to the city (Table 2). The Pasadena municipal power system contributes 16 percent of its gross revenues, by city charter, to the general fund. The public system in Glendale contributes 15 percent; Burbank, 7 percent; and Los Angeles, with the country's largest city-owned power system, 5 percent, or $11.5 million annually. All four of these systems in the Los Angeles basin have lower rates for average residential use than the regional private utility, Southern California Edison.

TABLE 2 Relative Rates for All Electric Homes of 15,000 KWH Per Year*

(in cents)	Rate/KWH*	Payments to City/KWH†	Net Rate/KWH
Berkeley (PG&E)	1.52	.02	1.50
Alameda	1.32	.33	.99
Anaheim	1.39	.24	1.15
Burbank	1.25	.17	1.08
Glendale	1.46	.25	1.21
Los Angeles	1.38	.06	1.32
Palo Alto	1.27	.39	.88
Pasadena	1.60	.23	1.37
Riverside	1.29	.16	1.13
Santa Clara	1.33	.07	1.26
Public Power City Average	1.37	.21	1.15
% of Berkeley	90	1050	77

*Federal Power Commission, "All Electric Homes in the United States" FPC R-77.

†California State Office of the Controller, "Annual Report of Financial Transactions Concerning Cities of California–Fiscal Year 1970-71"; Berkeley figure estimated from PG&E feasibility study.

Far from "missing" private utility tax payments, public power cities also enjoy lower property tax rates than comparable cities served by private companies. In public-power Alameda, California, the city tax rate per $100 assessed valuation is $2.16, compared to $3.47 in PG&E-served Berkeley. In Burbank and Glendale, it's $1.59 and $1.20, compared to $2.25 in nearby private-power Santa Monica. In Palo Alto, it's $.74 compared to $1.34 in PG&E-served Mountain View.

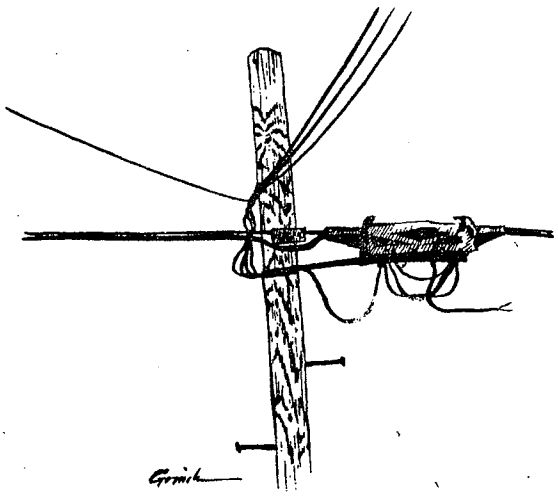
Certainly there are factors in these comparisons that are unrelated to utility system ownership. But in each case payments to the city by the municipal systems are higher per kwh than tax payments by the IOUs to private-power cities. Moreover, even if most of a public system's savings take the form of lower rates rather than in-lieu payments, the effect on taxes may be beneficial. Low electric rates attract busi-

† For example, in terms of operating and maintenance costs per kwh, the *average* private system is 20 to 60 percent more efficient than those private systems that are similar in size and other characteristics to the average municipal system.

* Moreover, because public systems sell power more cheaply, the same number of kilowatt-hours delivered brings in less revenue. Leaving aside the income taxes paid by the private companies, tax and interest payments *as a percent of revenue* are roughly equal in the two cases.

nesses, and a healthy local economy helps keep property tax levies down.

Both property tax rates and electric power rates—public as well as private—are generally regressive. Usually, however, there is a net progressive benefit for residential customers in public power cities if both property taxes and utility rates are lower than



those in surrounding communities. Most municipal systems have achieved both lower power rates and lower taxes. Anaheim even mandates lower rates than the surrounding private utility territory in its city charter. Burbank and Glendale are taking the first steps toward equalized power rates (rather than reduced rates for large users), which would add to the progressivity of the system.

A look at the special position of "regulated" private utilities helps explain why the comparison between them and public systems turns out as it does. The private power companies are, of course, owned by stockholders who demand a return on their investment. But since the 1930s, the IOUs are also government-recognized monopolies that are subject to regulation in return for a guaranteed rate of profit. The regulated "rate of return" allowed by the Federal Power Commission and state public utility commissions currently ranges between 7 and 10 percent. Although these figures appear low, the percentages are deceptive.

For one thing, investor-owned utilities routinely exceed their regulated rates of return on private capital investments unrelated to utility operation. Many IOUs reinvest interest and earnings outside of the utility system, thus producing an unregulated secondary income for the benefit of their stockholders. Average return to stockholders' equity, after taxes, for the IOUs has equaled that for all manufacturing corporations since the mid-1950s. It has actually been higher in recent years. Most private utility return figures are currently between 10 and 15 percent, but Citizens Utility of Arizona and other IOUs have sometimes reached 25 percent levels.

Hidden investments by utilities are only part of the strange world of regulated monopoly economics. The phrase "rate of return" in investment analysis usually means return to owners' equity. But in the special language of the IOUs, "rate of return" essentially means total return on the company's entire investment, both debt and equity. A 10 percent allowable rate of return, for instance, doesn't mean that each stockholder may receive only 10 percent of his investment annually. It means that the utility can *distribute* to its stockholders up to 10 percent of its "rate base" (or, roughly, its total investment). Since private utilities are normally financed by 50 percent equity and retained earnings and 50 percent debt, the effective rate of return to investors may be considerably higher than the nominally allowed amount. For example, if some capital is borrowed at 5 percent and the allowable rate of return is 10 percent, the IOU can set its rates to earn 10 percent on that capital. It then can pay interest on the loan, and distribute the other 5 percent to its stockholders for a total return to equity of 15 percent.

By using the entire investment as the IOU's rate base, the regulating agencies offer a premium on overinvestment. The higher the capital investment in land, buildings, equipment, etc., the higher the resulting dollar amount of profit allowed by the regulating agencies. If the allowable rate of return remains higher than the cost of borrowing money for new investment, the utility, as in the example above, can increase its effective rate of return by investing more capital and increasing the rate base. As long as the rate of return remains higher than the average cost of money invested over the life of the system—even though present capital costs might exceed the rate of return limit—the utility makes a profit. In any case, private utilities generally manage to keep the regulated rate of return above the cost of money.

The 1971 FPC comparative statistics on utility plant size and power cost per kwh suggest the IOUs' overcapitalization. Municipal power plants have 10 percent less net electric plant per customer than the IOUs, but they deliver 12.2 percent more kwh per customer. The public power systems thus deliver more electricity per customer from less plant than the

private utilities. This is a good indication of the difference in capital efficiency.

The irony of government regulation is that by guaranteeing a rate of return based on total investment, the regulators have destroyed any incentive for the IOUs to hold down capital costs. In fact, as we have seen, the IOUs have a disincentive for building cheaper, more efficient plants. Moreover, the companies can set their rates to cover all their operating expenses *before* the rate of return is calculated, and can pass on all fuel increases. They thus have no incentive to locate cheaper sources of energy or introduce less costly operating and maintenance policies.

Municipally owned power systems are not regulated by other government agencies, although they do supply complete figures on plant operation to the Federal Power Commission. Cost per kwh and utility rates over the past 90 years show how good the public systems' financial performance has been. Their average costs, and the electric rates that reflect them, would be even lower if roughly half the systems did not have to buy their power wholesale from private utilities. (The American Public Power Association reports that 912 municipal systems buy supplies from private utilities. Most are too small to construct and run their own power plants and are unable to purchase from public suppliers.)

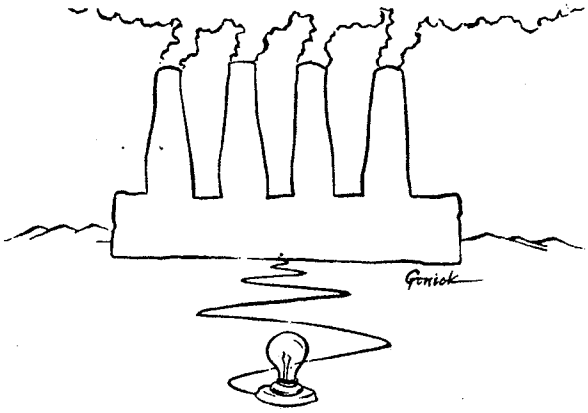
Until the Otter Tail Power Company decision was upheld by the Supreme Court in 1973, private utilities routinely refused to "wheel" power from alternative suppliers across their lines to municipal systems. As a result, many public power cities were totally dependent upon local private generating companies for their power.

Now, since they can combine and interconnect their systems across existing power lines, many of the municipals are constructing regional generation and transmission facilities. Wisconsin's Dairyland Power Cooperative, serving farms in Minnesota, Wisconsin, and Iowa, is building a large steam generating plant for use as a power pool. To get the economies of scale, Dairyland is building a larger unit than it needs. It plans to sell the excess to private utilities.

In the Pacific Northwest, the emphasis is on planning a "hydro-thermal" program to augment the power of the Bonneville Dams with large-scale steam generation. In the Missouri River basin, the existence of the cooperative Missouri Basin Systems Group made possible an REA loan to Basin Electric Power Co-op for a 400,000-kilowatt coal-burning unit. And the 11 public power cities of the Northern California Power Agency plan a geothermal operation near the town of Geyserville. Generating power from steam produced deep within the earth's crust, the cooperative project is slated for completion by 1977.

In Southern California, the municipal utilities have intervened in Edison's licensing and rate proceedings to demand limited participation in major Edison plant construction. By threatening antitrust action and delaying crucial plant expansion, the small public utilities have encouraged the formation of joint-venture projects with private utilities. With a minimum of capital, formerly small public utility departments and wholesale buyers have thereby gained entrance to huge coal-fired and nuclear plants they could never have built on their own. The result has been continued lower rates for public power cities surrounded by the Southern California Edison Company.

Right now, simple economics may be the strongest argument for local public power. But another argument has to do with the advantages of local control. Public power facilities are commonly operated by city governments, local district agencies, or consumer cooperatives. These structures may be just as bureaucratic and unresponsive as any corporation. But at least they can be changed when the need arises. Local



ownership means local jobs. It means local control of management decisions, such as plant location, rate of expansion, placement of power lines, type of power generation, and of course electricity rates. In a more general sense, local ownership means the possibility of community decision making and a feeling of responsibility to the public.

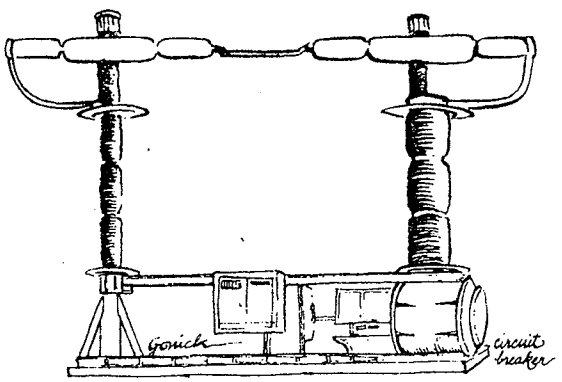
The recent fuel crisis in the Los Angeles basin showed how responsive public power agencies can be. With 48 percent of their low-sulfur generating oil cut off by the Arab embargo, the public power systems of Los Angeles, Burbank, Glendale, and Pasadena

acted immediately to curtail power consumption and coordinate emergency fuel purchases. Each of the cities enacted legislation mandating cutbacks of 10 to 15 percent for residential customers and 20 percent for commercial power users. The smaller municipal agencies in Burbank, Glendale, and Pasadena pooled their fuel purchases and storage capacity. Receiving only minimal help from the Southern California Edison Company, the four public systems managed to secure needed fuel supplies while cutting power consumption by nearly 17 percent.

The private utilities have developed a standard set of responses to the local control argument. Gross disparities between management and workers' salaries at the private utilities--with some executives earning 10 to 20 times the average worker's wages and benefits--become a "monetary incentive" lacking in the public systems. Lower public-power management salaries, argue the IOUs, result in a scarcity of skilled executives. This makes for stodgy leadership that cannot react quickly to the changing technology of the power industry. The IOUs contend that public ownership means political ownership subject to inefficiency, misconduct, and corruption.

The history of the public power movement indicates that these charges are unfounded. Management is more difficult to attract for the smaller systems than the larger. That is true for both public and private power. Independent management audits and FPC statistics indicate that executive competence among all varieties of larger systems is approximately equivalent. To help develop the small systems, the American Public Power Association started a utility education program which has trained several hundred supervisory and other employees of public systems in the past several years.

The Tennessee Valley Authority and the Rural Electrification Administration are renowned both for the quality of their management and for the lack of political interference in their operations. TVA in particular has an unsurpassed record for efficient performance and extraordinarily low rates. As for corruption and political graft among municipal utilities, the record speaks for itself. It shows that the IOUs are in no position to talk.



Private Powers

With all the benefits of public power, the question remains: why aren't there more community-owned systems? The answer to that lies with the private utilities and the carefully nurtured relationships they maintain with state legislatures and Congress.

Coordinated national public relations, lobbying, and utility acquisition campaigns have been a hallmark of the private utilities since the days of the Samuel Insull power trust in the 1920s. During those years the National Electric Light Association (NELA) sought to discredit the growing public power movement with furious red-baiting tactics. NELA helped defeat the California Water and Power Act in 1922, a bill that would have created a state-owned power system patterned after the famous Ontario hydroelectric power system in Canada. It attacked Pennsylvania governor Gifford Pinchot and New York governor Alfred E. Smith, both of whom supported a national "superpower" grid of public systems. Any congressmen who supported plans for the construction of federal dams on the Tennessee or Colorado rivers became NELA's enemies as well.

Organizations that sought to coordinate the small municipal systems were special targets. These included the Public Ownership League of America, the National Popular Government League, North Dakota's Non-Partisan League, state Municipal Ownership Leagues, and the Socialist Party of America. But the exposure of Insull power corruption during Federal Trade Commission hearings in the late 1920s discredited the NELA. Several years later it was disbanded, only to be replaced with four specialized groups: the Edison Electric Institute, the Electric Companies Advertising Program, the Electric Companies Public Information Program, and the National Association of Electric Companies.

Much of the conflict between private and public utilities now is fought by proxy in state legislatures. Where the private utilities are especially powerful, the laws governing municipal authority are a maze of restrictions.

In many states, a municipality may not set up a utility to compete with an established private utility except after receiving a certificate of convenience and

necessity from a state commission. Commissions typically issue such certificates only if the municipality can show that existing service is inadequate or otherwise deficient. California and Illinois are notable exceptions to this practice. In Wisconsin, there has been a long and as yet unsuccessful campaign to permit municipal utilities to extend their lines without state permission. Legislative control of public utility territories has tended to keep them small, preventing any economies of scale and protecting neighboring IOUs from rate competition. Elsewhere, the most widespread legislative tactic is severe limitations on municipal bonding. These limitations include a low public debt limit for general obligation bonds and a requirement that the state approve the issuance of revenue bonds. Virtually all of these restrictions grew out of the IOUs' efforts.

Since the 1920s, private utilities have been lobbying to end government tax-exempt bonding entirely in the hopes of shutting off lower-interest money for public systems. The Public Ownership League of America fought virtually the same proposed legislation in 1922 that the American Public Power Association opposes today, this time in a form put forward by the Nixon administration. The Nixon tax proposal would substitute a system of government interest subsidies for tax-exempt bonding. This would give the federal government de facto veto power over specific projects.

Tax-exempt bonds, of course, are hardly an equitable tax policy. They provide a convenient repository for corporate and individual wealth that can generate interest without incurring federal taxation. But while the policy exists, communities and utility districts should be able to make use of the bonds for the widest possible development. Municipal bonding that finances public power facilities is one of the few instances of public benefit in a sea of private benefits supported by the tax laws.

The most direct and effective method of private utility attack is still the takeover move. It is usually coordinated with support from a regional utility association. *Public Power* magazine reported such takeover campaigns in the upper Midwest, throughout Ohio, and in Virginia during the period from March to August 1970. The magazine also revealed an Edison Electric Institute document establishing the policy. A typical campaign involves an attempt to influence the city council, construction of a "citizens' group," and large media expenditures. The particulars, catalogued year after year by the APPA magazine, are distinguished only by the IOUs' willingness to use whatever will work. Red-baiting is employed if the community is receptive to it, keying on such slogans as "socializing America." The takeover campaigns don't always succeed, but the IOUs are patient. They continue to erode the number of public power cities.

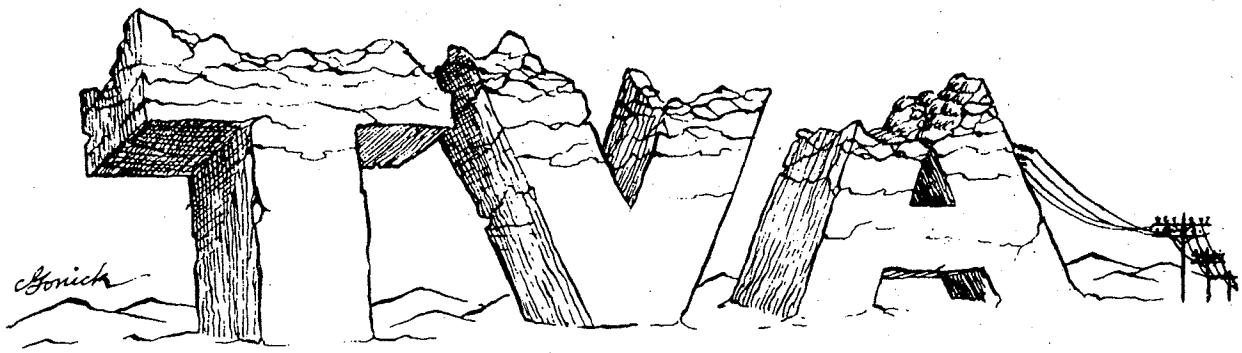
On the other side, fighting intermittent but deadly skirmishes with the private utilities, are the more than 2,800 municipal, state, district, federal, and cooperative power systems. Many of these systems are members of either the American Public Power Association or the National Rural Electric Cooperative Association. Although both organizations lobby from headquarters in Washington, neither has taken an aggressive role in promoting public power. Public power systems in general tend to be cautious and unwilling to take stands that might be unpopular with industry.

For example, the crush of energy-intensive industries such as aluminum and atomic fuel production in the Tennessee Valley has forced TVA away from its original hydroelectric power network. Once a paragon of concern for the public interest, TVA is now the largest single purchaser of strip-mined coal in the world. The coal fires the boilers of steam power plants that are now necessary to satisfy a huge industrial, military, and Atomic Energy Commission demand.

Public power agencies in the Southwest exhibit similarly narrow practices. Despite their usual responsiveness to local environmental concern in plant construction and air pollution standards, many public systems have joined in the Western Energy Supply and Transmission consortium to augment their power capacity. This group of 23 private and public utilities is building a power grid of six massive coal-fired plants in the desert of the Colorado Plateau. Several of the plants use strip-mined coal from leases on Navajo and Hopi land. The Four Corners plant, the first built and the largest to date in the system, is the greatest industrial polluter in the country.

In their defense, public power systems are bound by the present limits of energy production technology. They have not been the most strident promoters of coal-fired or nuclear plants. The difficult decisions of rate structure, load growth, boiler fuel, and environmental standards are relevant to all electric utilities. Consideration of public opinion and response to local customers are still higher among the publicly owned systems than among the IOUs.

Despite the obvious difficulties of building publicly owned and controlled industries in the U.S. economy, the public power movement has two things going for



it: a history of practical success, and a wave of public resentment against private energy corporations. Coalitions of new populists, consumer groups, community control organizations, urban planners, and liberal politicians are joining together in many communities to seek alternatives to private energy exploitation. The existing public power systems don't quite know what to make of this new attention. But they have often assisted consumer groups with the technical and legal problems involved in municipal power feasibility studies and condemnation proceedings. Many general managers of public systems have weathered criticism from the business community for years, and are not eager to be smeared for advocating public ownership. But others are overjoyed at the prospect of renewed public support, which has largely been lacking since the late 1930s.

On the national and state levels, public demands for control of the giant energy corporations have led to Senate proposals for a federal oil and gas corporation. There are proposals for state energy corporations as well. The TVA-modeled state corporations would develop oil, natural gas, coal, geothermal, nuclear, and hydro resources on public lands, competing with private industry in the market. The scale of the public enterprises could be massive; 50 percent of U.S. oil and gas reserves, 40 percent of coal and uranium, 80 percent of oil shale, and 60 percent of geothermal resources lie under public lands. Distribution of energy could remain local, retailed by public and cooperative utilities and gasoline stations.

An initiative for this kind of energy development and wholesale power corporation in Maine narrowly failed in the November 1973 election. The new governor of Vermont, Thomas Salmon, has directed the legislature to draft proposals for state energy development, graduated rate structures, and minimal "lifeline" energy service for all state residents regardless of ability to pay. The impetus for his action came from a Nader-supported research group, some unions, low-income and senior-citizen associations, and the Welfare Rights Organization.

The broad issue of community ownership and control has fostered local coalitions in many states. The Georgia Power Project in Atlanta has begun organizing around utility rate increases, making alliances with the Atlanta Labor Council, the Welfare Rights Organization, and the Tenants Council. Through its intervention with the state public service commission, the coalition gained a platform for attacking a variety of corrupt practices of the Georgia Power Company, and for presenting alternative rate and power distribution plans.

In San Francisco, the push for public power has been led by the *San Francisco Bay Guardian* and a group called Power to the People. Municipal ownership of PG&E's facilities in the city has been an issue since 1912, when the Raker Act mandated public power as a trade-off for federal construction of the Hetch Hetchy water and power complex in Yosemite park. Through the years, PG&E has defeated eight separate attempts to issue municipal bonds for the system. The company bilks San Francisco out of $30 million a year by re-routing Hetch Hetchy public power over its lines, then selling privately generated electricity to the city. In December 1973, a San Francisco grand jury issued a report to the Superior Court finding that PG&E was distributing electricity illegally in the city. Although the state public utilities commission promises to reply in defense of the present arrangement, the report has given new life and added leverage to public power groups.

E&GP (Electricity and Gas for the People—Turn PG&E Around) has coordinated demands in the San Francisco Bay Area for lower utility rates and an end to virtually automatic PG&E profit and rate increases. Seeking to focus public anger at higher utility bills that parallel higher corporate profits, E&GP concentrates its attack directly on the private utility. Meanwhile, members of E&GP, Power to the People, and

RIOT hope to revive the move for municipalization this fall in both San Francisco and Berkeley. This time they plan to be armed with campaign spending limitation ordinances to curtail massive PG&E corporate intrusion.

The benefits of a new public power movement, in the spirit of the radical populists who began municipal systems in the 1880s, would be both real and symbolic. First, public power works, and its electricity costs less. Second, municipal power systems prove that public enterprises can be efficient and profitable for the public, even within the present economy. They give the lie to the alleged superiority of private corporate organization. Moreover, public systems established during the current mood of disgust with energy monopolies would be expressions of community power and proof of the vulnerability of the corporate giants. Despite the difficulties of condemnation proceedings, over 30 public power systems have been formed since 1960. And this May, the people in the upstate New York town of Massena voted overwhelmingly for a $5 million bond issue to buy back their electric system.

By itself, public power isn't likely to transform America. It is not a widespread concern now, and because of the technical questions involved and the complications of power system condemnation proceedings, it is not likely to become one soon. But it is a concrete, workable example of community control and public ownership that can be an important adjunct to wider political programs. It's a beginning step toward revitalizing public energy as an alternative to continued corporate abuse.

FOOTNOTES

1. See Thomas Brom, "Edison vs. Public Power: The Squeeze in California," *Nation* vol. 218, no. 9 (March 2, 1974), pp. 269-273.

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